Rising losses shake US airliners

WASHINGTON, Dec 14: An airline industry spokesman predicted Friday that US airline losses will approach 2 billion dollar this year, and he called for tax relief for the business, reports AP.

The war in the Gulf, "dried up our traffic and the recession's kept it down," Robert Aaronson, President of the Air Transport Association of America, told a news conference. "The airline industry is in serious financial crisis."

Congress should cut ticket taxes and reduce taxes on airlines, he said. The current passenger ticket tax is 10 per cent, while the cargo tax is 6.25 per cent.

The industry is publicizing its campaign with announcements that airlines and travel agents are enclosing in ticket jackets. They say: "The price of this ticket includes taxes and fees which are imposed on air transportation by government authorities."

Passenger traffic will be an estimated 450 million in 1991, a 3.5 per cent decline from last year, Aaronson said. There have been 50,000 industry layoffs and a drop in air freight traffic, he added.

Pan Am, Eastern and Midway went out of business this year. Last year's losses in the industry were a record 3.9 billion dollar.

The two years of red ink have wiped out all the profits the industry has earned since scheduled airline service began in 1925, the ATA reported.

Aaronson predicted better times ahead — a 6 per cent increase in traffic in 1992 and perhaps a profit of 300 million dollar.

But he said airlines need incentives to help finance 180 billion dollar in new airplanes and airport improvements this decade.

"Instead of being part of the problem with their tax policies, we'd like to see" the government be "part of the solution for a change," Aaronson said. "Air travel is being taxed to death."

The ATA has spoken to the Transportation Department, the Office of Management and Budget and the Treasury Department about the proposals, said Aaronson.

The ATA says: Ticket taxes and fees should be lowered because they cost air travelers in the United States 6 billion dollar a year. The 10 per cent passenger ticket tax should be lowered to 8 per cent, while the 6.25 per cent cargo tax should be reduced to 5 per cent.

The Alternative Minimum Tax should be modified so that companies losing money don't have to pay it. Congress enacted the tax to deal with firms making a lot of money but not paying taxes because of various tax shelters. But because of the way it is computed, some airlines that are losing money are paying substantial amounts of tax. Some have borrowed money to make the payments.

The industry needs investment tax credits for air transportation assets to lower the cost of purchases.

Congress should change the way the 1986 tax law treats rental income from aircraft leases. This will make it easier for airlines to finance aircraft serving international markets.

Ticket price rising

Another despatch adds: The price of US air travel is going up as airlines raise leisure fares, but the industry said Friday it will start reminding passengers that tax collectors also are taking a healthy bite out of each ticket.

American, United, Delta, Northwest and US Air said they would match a 20 dollar are increase initiated earlier in the week by Continental. The higher round-trip fares will apply to advance-purchase, nonrefundable tickets, popular with non-business travelers.

Continental, which is in bankruptcy, court, tried to raise fares by five per cent across the board in the summer but abandoned the idea when nobody else would go along.

But times have changed in commercial aviation, with Pan Am and Midway dying over the past few weeks. As other troubled carriers shrink, it may now be easier for the industry to charge passengers more, analysts said.

"It isn't so much that the economy is starting to pick up. It's more that the bankrupt carriers are disappearing," said Kevin Murphy, who follows airlines for Morhan Stanley and Co. Inc. "Midway's gone, Eastern's gone. Pan Am's gone."

The healthy airlines have said before that weak carriers have offered too many cheap tickets just to generate cash to stay alive.

That has made it impossible for the strong airlines to turn a profit, the argument goes, since they must match the discounts for competitive reasons.

The surviving airlines declined to say Friday whether a fare increase had become easier as the industry 's casualty list grows.

Kuwait signs $ 5.5b loan for reconstruction

LONDON, Dec 14 : Kuwait, through the Kuwait Investment Authority, has signed a 5.5 billion dollar medium term credit facility to help post-Gulf War reconstruction, reports Reuter.

The agreement was singed in Kuwait City, a statement from coordinators J P Morgan Guaranty Trust Company said. The loan is provided by a syndicate of 81 banks from 20 nations and will be lead managed by a group of 24 relationship banks.

The facility was increased from five billion dollar "in the light of substantial over subscription raised from the market."

The statement said commitments over the two-phase syndication reached a aggregate of 7.9 billion dollar.

A previous statement from JP Morgan said an increase of this magnitude would fill Kuwait's immediate requirements and enable lead managers to cut further their allocated commitment to around million 150 dollar each.

The transaction was widely supported at each level of phase two, in amounts ranging from 10 million to 125 million dollar.

The syndication was announced on October 24.

People at a fair of local cottage industry products and handicraft, being held on the occasion of Victory Day before Bangla Academy Saturday. — Star photo

Fair to promote local cottage industry products

By Staff Correspondent

A three-day Bijoy Mela (Victory fair)jointly arranged by the Sammilita Sangskritic Jote and Bangladesh Small and Cottage Industries Corporation (BSCIC) was inaugurated on the main road before Bangla Academy Saturday.

The fair, in celebration of the Victory Day, was aimed at promoting local cottage industry products and handicrafts and will last till Dec 16.

France okays $ 55m loan for India

NEW DELHI, Dec 13 : France signed Friday a loan package for India consisting of a quick disbursement credit of 150 million franc (27.7 million dollar) and the same amount in project loans, reports AFP.

Additional Secretary to the French Treasury Samuel Lajeunesse, who arrived here Thursday, signed on behalf of France while Indian Deputy Commerce Secretary J Sundaram signed for India.

The project loans, part of the 761 million franc (140 million dollar) pledged in the Aid India Consortium that met in Paris in September, cover water resources and coal development and for the first time a computer software package.

The agreement was "another step in the long-lasting cooperation between India and France," said Lajeunesse.

GCC plans single currency by 2000

DUBAI, Dec 14: Gulf Arab state want a single currency by the year 2000 but bankers and economists in the region say they lack the necessary economic integration, reports Reuter.

Abdul Malik Al-Hamar, central bank governor of the United Arab Emirates (UAE), said today the six Gulf Cooperation Council (GCC) states had decided in the early 1980s to work towards a single currency in the future.

But bankers said this would require a central monetary authority for GCC states Saudi Arabia, Kuwait, the UAE, Oman, Qatar and Bahrain.

"Issuing a single currency needs convergence, like what the EC is trying to do in fiscal policies, budget deficits, surpluses and inflation," a Gulf-based economist said.

Hamar said GCC states first expressed willingness to create a single currency in the unified economic accord in the early 1980s and that the last meetings about it were in 1985.

But since its formation in 1981, the council has made little progress towards unifying economic policies.

"It is very hard to achieve this (convergence) in the Gulf, you can have surplus in one state and deficit in the other," another economist said.

Experts also said a unified currency would require the financially strongest GCC nation, Saudi Arabia, to support the others in case of trouble.

Hamar declined to say whether there was a timetable or how the six currencies used by the GCC states could be merged.

Riyadh denies pumping more oil

Another despatch from Bahrain adds: Saudi Oil Minister Hisham Nazer denied his country was pumping more oil to keep prices down to help recession-hit consumers, the official Saudi Press Agency reported.

"The speculations in the oil market these days that Saudi Arabia is increasing its production to help maintain lower oil prices to help countries overcome their economic crisis for political reasons are baseless," the agency quoted him as saying in Riyadh.

"The interest of the Kingdom of Saudi Arabia and other oil producing states is in balancing the market and not flooding it and the Kingdom of Saudi Arabia is maintaining this principle in its production policy," Nazer said.

He said the kingdom, the world's biggest oil exporter, was "committed to its agreed (market) share and it would not pump to the market more than its share."

OPEC has effectively suspended its quota system since Iraq's August 1990 invasion of Kuwait.

In the group's last ministerial meeting in Vienna at the end of November, OPEC members agreed to extend the 23.65 million BPD output ceiling for the fourth quarter of 1991 to the first quarter of 1992, but assigned no quotas for its members.

Oil industry sources said Saudi Arabia's current oil output is around 8.5 million BPD including its share of 140,000 BPD from the neutral zone.

Oil sources say the kingdom now has capacity to produce around nine million BPD of oil and plans to increase oil output capacity to 10 million BPD by 1994.

Japan spent $101.4 b on technology research in '90

TOKYO, Dec 14: Japan ranked second after the United States in fiscal 1990 in total spending for research on science and technology, a government report said Saturday, reports AP.

The Management and Coordination Agency said Japan's research outlays totalled 13.08 trillion yen (101.38 billion dollar) in the fiscal year, which ended March 31. It was up 10.7 per cent over the previous year, and accounted for 2.99 per cent of Japan's Gross National Product.

The amount was the second largest for any country. The United States spent 18.37 billion dollar for research on science and technology, the agency said in its annual report.

Corporate spending accounted for 9.27 trillion yen (71.84 billion dollar) or 70.86 per cent, of the total outlays, it said.

The report was based on a survey of 12,700 corporations, 1,500 research institutes and organizations, and 2,200 universities and colleges across Japan.

50 pc Soviet airports shut for oil crisis

MOSCOW, Dec 14 : A critical fuel shortage forced the closure Thursday of more than half of all Soviet airports and the cancellation of most domestic flights of the state Aeroflot airline, Tass reported, according to AP.

The Soviet news agency said 92 airports were closed and another 38 were on the brink of closing. It said there were no flights from Ukraine, the Caucaus Mountains, the Far East or the republic of Kazakhstan.

"No information is yet available as to when any form of normal services can be resumed," Tass said in its brief report.

The duty navigation officer at the Soviet Union's central air traffic control directorate told The Associated Press that "a lot" of airports were closed. He had no other information.

The Soviet Union is suffering from a severe fuel shortage as winter sets in. There are long lines of cars outside almost every gas station, and many Soviets fear widespread fuel shortages and possibly energy blackouts this winter.

China will post $13 billion trade surplus, 2nd to Japan's, this year

TAIPEI, Dec 14: China will overtake Taiwan this year to post — at more then 13 billion dollar — the second largest trade surplus in the world, a top economics official said yesterday, reports AFP.

"Only two years ago, mainland China still suffered from a trade deficit, but its export performance has been exceptionally good this year," said Li Kao-Chao, Director of the Economic Research Department of the Council of Economic Planning and Development.

China's exports registered sharp growth in the first 10 months of this year, resulting in a surplus of more than eight billion dollar, economic officials said, adding that the mainland still has export orders which must be met by the end of 1991 and should boost the surplus by another five billion dollar.

"Taiwan was the third largest trade surplus country last year, only next to Japan and West Germany," Li said. "But the traffic deficit of East Germany this year has made it difficult for West Germany to retain its trade surplus status."

After the two Germanys merged, unified Germany's trade surplus amounted to 5.2 billion dollar in the first 10 months of this year, a decline of 89 per cent over last year.

Japan retains the largest trade surplus with 69 billion dollar registered in the first ten months of the year.

Taiwan, with its surplus of 12.4 billion dollar, was originally predicted to replace West Germany as the second largest trade surplus country, but this hope was shattered by China's strong export performance.

In fact, much of China's export surplus is due to increased Taiwanese investments there, Li said, adding that authorities here should be aware of that fact.

Taiwan's investments in China via Hong Kong amounted to 94.7 million dollar in the first ten months of 1991.

Youths suffer unemployment

Another report from Beijing adds: The unemployment rate for young Chinese workers is two to three times higher than the national average of about 2.5 per cent, official figures published here Saturday showed, reports AFP.

Of China's total 540 million workers, nine per cent of those aged between 20 and 24 were jobless, while the unemployment rate for workers between 25 and 34 stood at just over five per cent, the China Daily newspaper reported.

The paper, citing the 1990 census, said statistics showed that "the working population is now at a peak, so it is urgent for the country to employ these rich labour resources in economic development."

It said the work force was becoming younger, with about half of employed workers being under the age of 30.

Employment figures in China are usually calculated for people capable of work between the ages of 15 and 60.

Experts note that the national unemployment figure of 2.5 per cent is not representative.

Unemployment will increase in the next decade as an estimated 280 million people join China's labour pool, although Beijing has aimed to keep the jobless rate at or below 3.5 per cent.

The country already has some 120 million surplus labourers.

Employment was hit hard by an anti-inflationary austerity programme launched in late 1988, which forced a large number of companies to close.

Iraq seeks nod for bigger trade

BAGHDAD, Dec 14 : Iraq is riding out a sweeping trade ban and can afford to wait and negotiate major changes in UN proposals to let it sell oil, Baghdad-based diplomats said, reports Reuter.

Iraqi and United Nations officials are due to meet in Vienna on January 6 and 7 to discuss alternations to the scheme.

UN envoys say Baghdad wants to negotiate longer-term oil contracts, simplify procedures for distributing food, and be allowed to used its Mina Al-Bakr oil terminal in the Northern Gulf, avoiding hefty charges on its pipeline to Turkey.

Iraqi-based diplomats said Iraq is also probably seeking freedom to buy food from whichever countries it want and deal in barter rather than cash.

UN Security Council resolutions specify the oil should flow through the northern pipeline to Turkey.

To use other terminals, a new resolution by the full Council is necessary. Envoys said there probably would be no objection in principle, but if Iraq uses its own tankers there could be problems monitoring the oil.

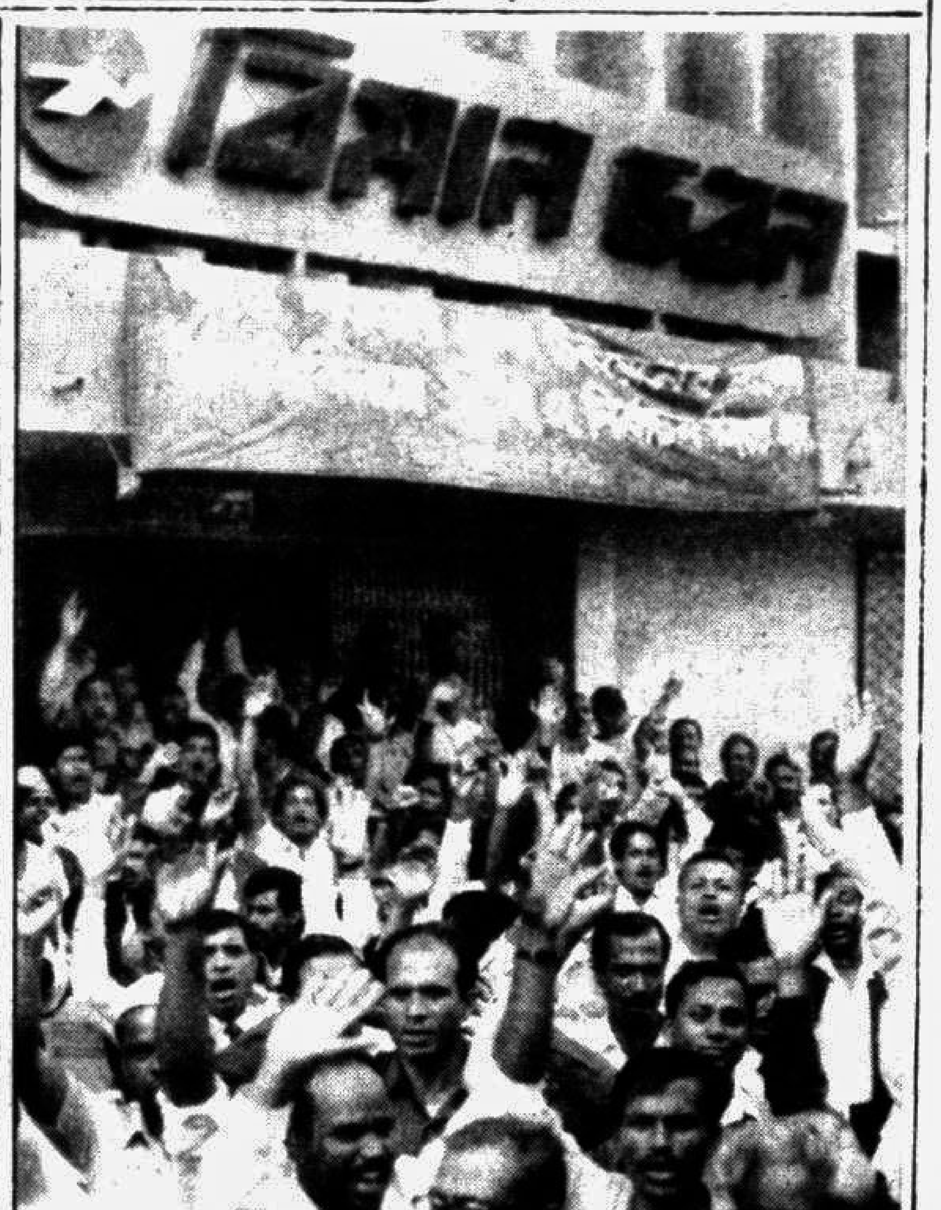
UN Resolution 706, which has a complicated system of checks and balances, would funnel proceeds into an ESCROW account to help pay for war reparations and other debts stemming from Iraq's invasion of Kuwait.

Baghdad says the conditions are an infringement of its sovereignty. It has called the plan a "spider's web" with intricate procedures diverting so much of the 1.6 billion dollar worth of oil it would be allowed to sell that it would raise as little as 250 million dollar for food.

Diplomats say Iraq can weather sanctions until the spring but will want to negotiate a better scheme by the time resolution 706 expires in March.

"The resolution as far as Iraq is concerned is dead," said one diplomat. "They can afford not to sell oil for now."

"I have a feeling they would not accept the internal monitoring unless the money was significantly better," one diplomat said. Council diplomats say basic points of the resolution must stay in place, including monitoring oil as it came out of the pipeline and monitoring food and other supplies to make sure they were distributed fairly.



Biman employees Saturday demonstrating for new pay scale in front of Biman headquarters in city. — Star photo

OPEC fears bad time

PARIS, Dec 14 : The Iraqi Deputy Secretary-General of the Organisation of Petroleum Exporting Countries, Ramzi Salman, has said OPEC member states will be in difficulty next year if the oil market stays weak, reports AFP.

He pointed out to the OPEC News Agency, received here, that the reference "basket" of crude oils that OPEC goes by was currently around 17 dollar a barrel, against an official OPEC minimum reference of 21 dollar.

Prices are now at their lowest for a year, after having nearly reached the official OPEC reference price two months ago, he said.

Jakarta puts $ 3.5b in tourism since '88

JAKARTA, Dec 14 : Indonesian Minister of Telecommunications, Posts and Tourism Soesilo Soedarman said Indonesia has invested 7.02 trillion rupiah (3.51 billion dollar) in 490 tourism projects since 1988, reports AFP.

The Antara news agency Friday quoted Soesilo as saying at the opening of a new luxury hotel of the Sheraton chain in Lombok island late Wednesday that most of the investment had been spent on new star hotels.

LGRD Minister A Salam Talukder inaugurating the People's Credit Cooperative Society Ltd Wednesday. Mr S A Hakim, Chairman, Mr Mominul Islam and Mr Moshiur Rahman, founder (on his right) and Md Abdullahel Kafi, Vice-Chairman and Mr M F Hoque, Managing Director of the Society, (Left) were present.

Days of picking up phones and doing business gone

LONDON, Dec 14: World commodity trading firms, under siege in a tough business environment, are fighting back by eschewing speculation and focusing on service to clients, reports Reuter.

"Too often dealers have lost sight of the real function of a dealer. They have become attracted to the get-rich-quick mentality and, I believe, this has caused many to get poor quick," Michael Metcalfe, Managing Director of ED and F-Man Cocoa said in an interview.

The break-up of the Soviet Union and the fragmentation of the market herald another challenging year in 1992.

"What we are all looking for is to make a margin out of handling goods. The old natural margin of picking up two phones and finding you have two people with different price ideas is almost gone," said a softs trading manager.

"Technology has pretty much levelled out the playing field," said Leonard Alderson, Chairman of Cargill International SA.

"Now it is knowing your market and your customer and having absolutely watertight controls on risk," added Alderson, who is head of Cargill's worldwide grain and sugar business.

Commodity traders are placing emphasis on risk control, providing value added services for clients and integrating interests in production, warehousing, trading and distribution.

Tough bank curbs on commodity lending have encouraged firms to change their strategy, while the disintegration of the Soviet Union and changes in Eastern Europe have raised the costs and risks of doing business. Trading with indebted Third World countries was already hazard enough in itself.

Depressed commodity markets show little sign of a significant recovery and, in the grain trade, dependence on government decision over credit policy to the Soviet Union bring another twist of uncertainty.

Firms have developed into powerful, well-capitalised, broadly-based groups, providing a global service, or into niche players trading with particular clients or commodities.

Several firm have gone to the wall over the past year and other have needed an injection of funds and reorganisation of their capital structure to survive.

French trade house Sucres et Denrees said this week it signed an agreement under which Italian businessman Raul Gardini and a group of investors will taka a 73.3 per cent stake in a new holding company grouping Sucden's industrial activities.

Cardill's Alderson said, being a physical handler of commodities and warehouses gives you a much sounder base.

"We are very large charterers of both wet and dry cargo freight and that helps our commodity trading," he added.

The risk of default by the country of origin has always dogged commodity traders, but this is at least partly offset by becoming more involved in the full length of the supply chain.

"What we and a number of our competitors are doing is moving up and down the supply chain so we can control it a little better," said a trading manager.

Merchants have to prove to producers and consumers that they provide a useful service.

"I would have no issue with manufacturers and processors buying directly from origin, because I believe they will find out how difficult it is."

Michael Liddiard, Director of Czarnikow Sugar, said the volume of sugar moving through the world market is going to rise. This means producers will need expert advice on how to place their sugar to avoid scuppering prices.

The collapse of the public sector in Brazil and Mexico, couples with the disintegration of the Soviet Union, leads to a greater number of buyers and sellers and spells the end of large block deals of the past, he said.

Vivian Davies, chief executive of the Brandeis Group, part of Pechiney World Trade, said metal merchants were fewer in number but the ranks of producer-traders had grown. These avoid the middleman and deal directly with consumers.

The merchant can prove his worth by coordinating technical and financial advice for producers as part of a more general expert service.

But the economic outlook was not very encouraging for metals. "Southeast Asia looks decidedly negative. Not one centre worldwide is looking that strong in terms of forward demand," he said, adding exports from Eastern Europe would continue to depress prices next year.